श्री सुरेश पचौरी:उधर ये सारे लोग खड़े हुए हैं। अयोध्या के मामले मे .....(**व्यावधान**)...

उपसभापति:अयोध्या कहां से आ गया बीच मे।.....(**व्यावधान**)... अहलुवालिया जी, मेरे को कुछ सुनाई नहीं दे रहा है। आपके पास अगर कोई मैटर है तो आप चेयरमैंन साहब को दे दीजिए लिखकर, चेयरमेन साहब पढ़ लेगे।.....(**व्यावधान**)...

श्री सुरेश पचौरी:मैडम, यह बहुत गंभीर बात है कि सत्ता दल के लोग चर्चा नही होने दे रहे हैं।.....(**व्यावधान**)...

श्री एस.एस. अहलुवालिया:मैडम, ...(**व्यावधान**)...

उपसभापति:अहलुवालिया जी, आप लिखकर दे दीजिए, चेयरमैन साहब पढ़ लेगे। .....(**व्यावधान**)... प्लीज, आर्डर। आप बैठिए।.....(**व्यावधान**)... अहलुवालिया जी, आप लिखकर दे दीजिए।.....(**व्यावधान**)... I will give it to him and let him take a decision. The House is adjourned for lunch till 2 p.m.

The House then adjourned for lunch at fifty seven minutes past twelve of the clock

The House reassembled after lunch at one minute past two of the clock,

[THE DEPUTY CHAIRMAN in the Chair.]

GOVERNMENT BILLS

The Fiscal Responsibility And Budget Management Bill, 2003 - *Contd.*

THE DEPUTY CHAIRMAN: We were having a discussion on the Fiscal Responsibility and Budget Management Bill, 2003.

श्री सुरेश पचौरी (**मध्य प्रदेश**):महोदया, मंत्री जी मौजूद नहीं हैं सदन मे।.....(**व्यावधान**)...

उपसभापति:आ रहे हैं। उनके पास कोई आए हैं मिलने के लिए।

श्री कपिल सिब्बल (**बिहार**):महोदया, यह सदन की परम्परा है कि मंत्री जी को मौजूद होना चाहिए।

उपसभापति:उन्होंने अभी कहलवाया है कि मैं आ रहा हूँ। जसवंत सिंह जी ने कहा है कि मैं आ रहा हूँ।

SHRI PRANAB MUKHERJEE (West Bengal): Madam Deputy Chairperson, I am glad to have this opportunity of making my observations on the Fiscal Responsibility and Budget Management Bill, 2003, which was passed in the Lok Sabha and is now for the consideration of this House. So far, the issue of fiscal management, specially in terms of deficit, both fiscal and revenue, shrinkage of the revenue resources and debt burden, all these are important issues and there is a need for putting a brake on the way federal finances are being managed. I am happy, while introducing the Bill in Lok Sabha in 2000, the hon. Minister also quoted from the observations of Dr. Ambedkar while piloting Article 268, now Article 292 of the Constitution, where it was pointed out whether there should be a ceiling on the borrowing power of the Union Government and of the State Governments. Now, our Constitution was adopted on 26th January 1950, but successive Finance Ministers did not consider it necessary to have a Parliamentary legislation to put a curb on their borrowing power. Perhaps, at that point of time, and specially, upto 1981-82 when, for the first time, we entered into the era of revenue deficit, it was considered that prudent fiscal management would be enough and no parliamentary law to restrict the borrowing power of the Executive would be required. If I remember correctly, at the beginning of the Sixth Plan, the Revenue deficit in terms of percentage was insignificant, but perhaps Shri G.M. Patel was the last Finance Minister who had the privilege of presenting a Budget where there was a net surplus on the revenue account - taking both tax and non-tax revenues. And even during the Sixth Plan period except for the last year, the revenue deficit in terms of percentage, did not crors beyond one per cent. But, thereafter, the situation became really unmanageable and I am glad that the hon. Finance Minister and Leader of the House considers it necessary to have a parliamentary legislation to tackle the issue, to tackle the problem. But I expect it, especially from my dear colleague, Mr. Jaswant Singh that he should be bold enough to take a little more bolder step, especially in the context of certain positive macro-economic indicators, in terms of the overall inflationary pressure, huge foreign exchange reserves, and the country having entered into a regime of current account surplus instead of current

account deficit which was a chronic problem that every Finance Minister had to face. Therefore, though it is a good step, and a step in the right direction, but to my mind, it is a bit hesitant and an uncertain step. Perhaps, because the Finance Minister is too cautious and he wants to review the situation, that is why, he has taken Clause 12 in the last and has said that if there is any difficulty in the implementation of the Bill, the necessary corrections will be made in two years and not beyond that. Before coming to the various provisions of the Bill, I would like to have just one small clarification. It may be that I did not hear the Finance Minister correctly when he introduced the Bill yesterday. He pointed out that the total liabilities of the Central Government -- if I heard him correctly -- was Rs. 18,00,000 crores. Now, when the Bill was introduced in the Lok Sabha in 2000, in the Statement of Objects and Reasons, it is pointed out that the total liabilities of the Central Government are above Rs. 12,00,000 crores. My query is: Has the situation deteriorated, between 2000 and 2003, to such an extent that the liability has gone up from Rs. 12,00,000 crores to Rs. 18,00,000 crores? If I have heard him wrong, then this point need not be clarified. But, if I heard him correctly, then it requires some explanation that why there is such a huge discrepancy in this figure.

Madam, the question arises, how to control the serious distortions which have taken place in terms of fiscal deficit, in terms of revenue deficit and in terms of slowing down of the revenue realisation. On earlier occasions, while participating in the debate, I have pointed out that there had been some serious distortions in the Central finances. Take the case of balance from current revenue. The deterioration is so sharp! In 1996-97, the negative balance was 13,324 crores of rupees. Of course, when I am talking of this figure, I am talking of the Centre and the States taken together. Within three years, the negative contribution of the Centre and the States taken together, has deteriorated from Rs. 13,324 crores in 1996-97 to Rs.92,969 crores in 1999-2000. And the States' negative contribution this year--I have calculated the combined figure-was roughly 32,000 crores of rupees. Therefore, if you exclude 32,000 crores of rupees from these 92,969 crores of rupees, then the Centre's negative contribution this year is more than 60,000 crores of rupees. And that deterioration is taking place within a span of three years! Therefore, it was absolutely necessary to take certain corrective steps. But the legislation, to my mind, does not have adequate teeth. That is why I said that it is a rather extremely cautious step. Yes, you are committing yourselves and accepting the revenue deficit which you

have agreed to eliminate totally by 31[8,] March, 2008. I think, the time will have to be adjusted a little bit because three or four months have passed before the passage of this Bill, and after the commencement of this Act, if you take a period of five years, you may extend that time. But except that, in the whole text of the Bill there is no other firm commitment, to what extent you would like to go. Take the case of borrowings from the Reserve Bank of India. You have said that you are not going to have borrowings from the Reserve Bank of India, but, at the same time, so many provisos you are keeping to manage the short-term cash shortfall! There may be a contingency; you may have to take it. But, apart from that, by permitting the Reserve Bank of India to buy the Government securities and trade in it, and, without having any limit to it, will not that instrumentality be used to overshoot the limit which you are fixing on yourselves? This is one clarification which I would like to have from the hon. Minister.

The second point-which I have almost like a parrot repeated on the floor of this House umpteen number of times-is that there is no substitute to the Government's own revenue, and serious exercises will have to be made to augment the Government's own revenue. Even up to 1989-90, the tax-GDP ratio was 11.6 per cent, and, today, it has come down by two percentage points, from 11.6 per cent to 9.6 per cent. Instead of moving up, it has come down. I am not talking of what, to my mind, would be the ideal situation. The tax-GDP ratio, the Centre and the States taken together should be anywhere around 16 to 18 per cent. But even what it was up to 1989-90, that level of the tax-GDP ratio, is not maintained, and neither has he mentioned anything about it in his introductory observations. Of course, he will spell it out at the time of the presentation and the formulation of the Budget, and also at the time of making three statements--the Mid-term Fiscal Policy Statement, the Fiscal Policy Strategy Statement and the Macro- economic Framework Statement. Even before the presentation of the Budget, in the first statement he may give some indications. But my point is that the revenue expansion brooks no delay. This matter should be taken up immediately. If you can't take it up immediately, I don't suggest, by any stretch of imagination, moving vertically. But, surely, there is scope for moving horizontally, both in the case of direct taxes and, more so, in the case of indirect taxes. I don't subscribe to the view that there is no scope for having any expansion in the realisation of the direct taxes by horizontal expansion. It can be done not by jacking up the rate of taxes, but by better compliance, by bringing more

people within the tax net and by improving the efficiency of the tax administration.

The third point is this. The Finance Minister has diagnosed very correctly that it is a peculiar situation. Fifty per cent of our normal consumption expenditure, today, is met by borrowed resources. Borrowed resources have their costs and we are substantially depending on high cost borrowed resources, though borrowings from the small savings are the costliest. The Central Government is not drawing any money from the small savings except deducting the cost of realisation, which is transferred to the States. But the economic impact is there, whether it is to be borne by the State Governments or the Central Government. Unless we break this vicious circle to meet our normal consumption expenditure, we have to borrow and we have to borrow at a high cost; and thereafter a substantial part of our revenue will be used to meet the debt servicing. This circle must be broken. Dr. Manmohan Singh took some initiative and thereafter it has been followed by you also. When you are having substantial foreign exchange reserves, at least, you can utilize a sizeable amount of it, depending on what exactly the quantum, for your debt repayment so that debt servicing gets reduced. I am happy. In your reply to my own question today, you have suggested that in the last year the debt-servicing ratio, so far as external debt is concerned, has come down from 22 per cent of GDP to 20 per cent of GDP. But, to my mind, there is no point in having this huge amount of foreign exchange reserves, which you can't properly utilise, unless there is a demand for imports and there is massive industrial activity or agricultural activity or activity in the service sectors. Otherwise, the imported components like machineries, technologies, capital goods, intermediate products, etc., will not be required and, therefore, they will not be utilised. So, to what extent, can you do it? I think, this is one area which you should consider.

So far as internal debt is concerned, surely, if you want to stick to the commitments, which you are making in the text of this Bill, revenue deficit could be taken care of. But, most respectfully, I would like to submit that I am taking these commitments with a little pinch of salt, not because of the accident of switching from that side to this side but because of the facts and figures which I have quoted on the floor of the House from 1998 onwards. Since the day Dr. Manmohan Singh left the North Block, not a single Finance Minister, neither Shri Chidambaram nor Shri Yanswant Sinha,

has been able to match the revenue realisation in terms of his own budgetary target, which he has fixed. The shortfall in the revenue realisation, in other words, the difference between BE and RE has gone up from Rs. 11,000 crores to almost Rs. 30,000 crores. I have the actual figures from the accounts of the C and AG, for the year 2001-02. In the last but one paragraph, the C and AG observes, "During the year 2001-02, revenue receipts, tax revenue, miscellaneous capital receipts (MCR) of three items were short of Budgetary Estimates -- I am talking of tax revenue -- to the extent of Rs. 30,812 crores. Unless you explore new areas of revenue, bring more people within the tax net, improve your tax collecting machinery and its functioning, how are you going to augment your own revenue? If you cannot augment your own tax revenue, mere dependence on the nontax revenue cannot help you to reach a situation where you will be able to fulfil your commitment of having zero revenue deficit by the end of the financial year ending on 31st March, 2008. That is my first submission.

My second submission is a little bit technical. I am really not quite convinced about it even though you have spelt it out in clause 3 in detail as to what would be the contents of the three statements which you are going to place within a year before the Parliament i.e. (a) the medium term fiscal policy statement; (b) the fiscal policy strategy statement and (3) the macro economic framework statement. Merely placing statements and informing the Members of Parliament are not adequate. It is, basically, the job of the Executive. Yes, Parliament control is there. But all of us are fully aware that in the days of party system, if a fiscal proposal of the Executive is not approved by the other House, it is interpreted as some sort of lack of confidence in the Executive which means dismantling of the Government and resignation of the Cabinet. No Parliament would be in a position to go to that extent. Therefore, it would remain merely some sort of hearing information exercise. The real job is to be done by the Executive. The Executive can do this job. Of course, Parliament's support would help the Executive to take hard decisions. But hard decisions are to be taken by the Finance Ministry. This is one office which cannot afford to be popular. The other day when I was speaking on some other subject, I said, "The Finance Minister of the country is the most harassed person". In early 1980s, when Sir Geo Hrey Howe was the Chancellor of Exchequer in UK, he narrated to me a very nice story. He said, "Mr. Minister, if somebody comes and greets me by saying 'good morning', my immediate response is, 'thank you' - 'no money'. Instead of saying 'good morning', he used to say 'no

money'. He gave me a little magnetic metal. If you press it, immediately, a voice will come -- of course, not his voice -- 'show me where is the money'. That is the state of affair of almost every Finance Minister more so of the Indian Finance Minister. You have pressing demands from the States. I do not know what would be the ultimate outcome of the recommendations of the Twelfth Finance Commission. After reading newspapers, frankly speaking Mr. Minister, at least, I am shivering to think that had I been in the chair, what would have been the position. Some of the States have gone to the extent of demanding 50 per cent of the share of the entire divisible pool, from the present level of 29.5 per cent. I am not saying that the Finance Commission is going to agree to that. But imagine if a situation comes that 50 per cent of the total divisible resources are to be transferred to the States, then, how are you going to manage your own debt commitment, interest payment liability, not to speak of defence and other areas? The third point on which I would like to comment is this. This is not merely about the Fiscal Management Bill, but it is more so in regard to the management of finances. And, you have very correctly pointed out that there should be more transparent arrangements of Budget-making. Certain items are to be kept confidential. But many of the items need not be treated as confidential. Those information could be shared, and a public debate can be organised. A structured informed debate can take place to help the Finance Minister to arrive at a right type of conclusion. But this exercise is to be made very seriously. Once, we found that one Finance Minister came out with a long-term fiscal policy. After presenting the Budget for the first year, in the second year, he came out with a long-term fiscal policy. We were quite enthusiastic that thereafter the Budget would be demystified, and plus or minus the available figures will be known to us, and that there will be a structured informed debate to review the state of economy. But what happened after that? Of course, it was an Executive decision. And, from the next year, even the document was not made available; it was completely forgotten. So, I do hope that if you feel that all these three statements are to be made separately, -- to my mind, it could have been clubbed into two; but anyway, if you want to do it into three, for strategic statements, policy statements, and indicating macro economic framework statements, where you will be giving only two or three figures which will be available for the whole year during the Economic Survey -- the growth in the Gross Domestic Product will be the subject of the third item, so also the fiscal balance of the Union Government as reflected in the revenue balance and gross fiscal balance and the external sectors. On

external sectors nowadays, you bring out a separate publication also which is helpful to the masses. But the basic question is distribution of resources at the Budgetary stage. But we should make a proper planning of the distribution. I am not going into that aspect as to what the compulsions are. But we do find at the end of the year, even in this year's Report of the CAG, they have pointed out the very old oft-repeated allegations or, to say, charges, that a substantial amount of money is still being spent in the last quarter of the fiscal year and more so, to be more precise, in the month of March. So, when you are going to have a transparent fiscal management, and you want to demystify the Budgetary process, I do hope the resource allocation would be done according to the need-based. Now, when you have shortage of resources and you want to discipline the entire fiscal system, you want to confine yourself to the targets which you are fixing for yourselves so far as the revenue deficit is concerned, so far as the fiscal deficit is concerned, so far as the overall borrowing is concerned, so far as the revenue realisation is concerned, it is, therefore, absolutely imperative that privatisation takes place in the strictest sense of the term. Each and every thing cannot be privatised. We do not have that much resources. After all, mere expansion in fiscal terms is not going to yield results. Therefore, I am not going to look into the entire gamut of the economy, say, cost-overruns, delay in sanctioning and uptake of projects. But if you want to address two, three or four things which our economy has the capacity to bear, you don't go beyond that; you determine your own priority; but whatever priority you determine, ensure resource availability as per the requirements so that the work is completed in due time and there is no unnecessary wastage in terms of time-overruns and cost-overruns.

As my colleagues who initiated the debate, Shri Murli Deora and, subsequently, Shri Ashwani Kumar, have both welcomed it, I also welcome the Bill. It is a good beginning. But I do hope that in the light of the experience, which the hon. Finance Minister will gather during the implementation of the various provisions of this Bill in course of time, he will be in a position to identify the areas of deficiency, and that he will soon come to Parliament for the necessary corrections. If it could be done through an Executive action, he should do it. If Parliamentary sanction is needed, he should come to Parliament, and I do hope that the Parliament would be too glad to help him in this exercise of bringing discipline in our fiscal management.

Madam, once again, I thank you for giving me this opportunity.

SHRI N. JOTHI (Tamil Nadu): Madam Deputy Chairman, as a matter of information, let me inform the House that the State of Tamil Nadu has already enacted a similar Act, with the same title, in May, 2003. Ours is one of the pioneering States to have passed an enactment like this for bringing in fiscal prudence and discipline in the economy. Our State, reeling under a lot of financial constraints and because of various other reasons, has already brought in an enactment like this. So, we welcome this enactment by the Central Government.

Madam, fiscal discipline is something, which we must have so that our future generations are not burdened with the debts that we have created for them. It is an absolutely necessary enactment and we are very happy to welcome it. But, at the same time, I would like to point out that, in your effort to really help the States, you should increase the mobilisation of revenue to a larger extent when compared with the GDP. The document approved by the National Development Council indicates that the financial mobilisation is at the rate of 9.16 per cent, whereas even in Pakistan it is aimed at 13 per cent. The developing countries are aiming it at 14 to 15 per cent, whereas we are lagging behind and are able to achieve it only to the extent of 9.16 per cent. We can concentrate on certain fields, such as, evasion of excise duty with the connivance of officials. We can also concentrate on Income-tax realisation with further reducing the Income-tax rates. If we could concentrate on these matters, we could have more and more financial resources at our command. Now, we are in the Council of States and we are representing our respective States. So, we are more concerned with the welfare of States, which can be done if the Centre's mobilisation of funds through its own resources is good, the reason being that at present 29.5 per cent is the share of the States in divisible pool of Central Taxes. Shri Pranab Mukherjee has said that the States are demanding 50 per cent. There is nothing wrong in that. After all, where from the Income-tax is being paid? If the States' discipline is good and law and order there is good, there will be more production and more earning. It is the State, which is mainly responsible for that. So, it is the State which is making the Central Government realise that money. When the State is contributing to the Central Government for realisation of money on account of excise tax, Income-tax and the Central Sales Tax, naturally, they are entitled to have more share than what is now being given, a paltry

29.5 per cent. So, it is high time thinking is made on this matter. Sir, the main problems of the State Governments are...

THE MINISTER OF STATE OF THE MINISTRY OF AGRO AND RURAL INDUSTRIES (SHRI SANGH PRIYA GAUTAM): Madam, not, Sir.

SHRI N. JOTHI: Yes, Madam.

THE DEPUTY CHAIRMAN: He is addressing the Finance Minister, who has to answer. I don't have to answer.

SHRI N. JOTHI: I must address the Madam. I can address the Sir only through the Madam. When Madam is pleased, Sir is automatically pleased.

THE DEPUTY CHAIRMAN: He always has to please the Madam.

SHRI N. JOTHI: Madam, the Government of Tamil Nadu is having financial discipline as compared with other States. Other States need not get worried when I make the claim because our financial discipline is well appreciated. I am aware that the Union Finance Minister is also appreciating our State's financial condition. So, on behalf of my State, I would like to submit that the present day level of aid from the Central Government to the States is, 70 per cent loan and 30 per cent grant. Madam, I appeal to the Finance Minister. He is the most disciplined Finance Minister and also a very prudent Finance Minister. He has brought this enactment very boldly and we appreciate the Finance Minister very much. At the same time, we would like to plead on behalf of the State Governments that instead of the present ratio of 70 per cent loan and 30 per cent grant, it should be matched to the extent of 50 per cent equally from both the sides. There should be 50 per cent loan and 50 per cent grant. Kindly consider this because you are also from your respective States. The State Government's role to the public is much more; the State Government's responsibility to the public is much more than the Central Government could have. I would easily illustrate it through certain broad headings. Take health. The State Governments are having hospitals and primary health centres which take care of the health of the people. From primary education to college education, it is again the subject of the States. Then, you take nutrition, social welfare, welfare schemes, etc. So, the States are very near to the public. If something

happens, they ask the State Government as to what it is doing. If the price of a postcard is increased or if the price of kerosene is increased, the people believe that it is the State Government which has done it. So, the States' responsibility to the public is much more than the Central Government has. So, under these circumstances, I appeal to the Finance Minister that the share of the State Governments in the income of the Central Government should be much more. It could be achieved by having better financial discipline in the Central Government.

Further, Madam, the States, almost all the States, barring a few States, are having only six crore or five crore population. So, they can have their MLAs and their officers under complete control. Whereas by sitting at a far off place at Delhi, it may not be possible to manage the mammoth extent of Budget allocations. So, the tendency created after 1980-85, especially after implementation of the Fifth Finance Commission Report...

SHRI P.G. NARAYANAN (Tamil Nadu) : The Fifth Pay Commission.

SHRI N. JOTHI: Sorry. After implementing the recommendations of the Fifth Pay Commission, after the salaries were increased, the States are reeling under very heavy burden. I would like to caution the Finance Minister on this aspect. Whenever the Central Government tries to increase the emoluments of its employees, kindly have a word with us, kindly have concurrence with us, at least, kindly have consultations with us. The reason is, when the next-door neighbour, who is working in a Central Government Department gets increase in his salary, the State Government employees immediately demand it. When the State Government does not pay it, the State Government employees immediately start agitation. The recent example of Tamil Nadu is the best example. When you increase the emoluments of your staff, we are affected in so many ways. I will tell you as to how we are affected. We are affected directly. Had the money which you are allocating for payment to your staff been shortened, it would have been given to us. It could have been given to us. It is one way. The second way is, by your having paid to your employees, our employees are getting difficulties and they say, "Please match us with the Central Government employees. We are also doing the same work. Or, we are also doing no work along with them!" This is the tendency now being created. So, whenever the Central Government saves one paise or earns one paise which directly helps the State Governments, it is a closely inter-linked affair;

under such circumstances, if the Central Government could have the financial discipline, it would definitely have a direct bearing on the State Governments. In such a way, I welcome this Bill.

Madam, it has been nicely stated in the Bill that here-afterwards, the Reserve Bank of India will be kept away from the earlier harmonious merry-making relationship between the Central Government and the Reserve Bank of India. Whenever the Central Government has got difficulty, the Finance Minister, by the right hand, can seek money, and, by the left hand he can get the money from the Reserve Bank of India-note printing.

Madam, the Reserve Bank of India was helping the Central Government in such a way as what we call in Tamil, "Amuda Surabhi". It is a bowl and whenever you take a material from that bowl, it would go on springing up from that. This is what we call "Amuda Surabhi." It is like Akshaya Patra. The Reserve Bank of India was an Akshaya Patra for the Central Government. We, in the State Government, don't have anything except the begging bowl to be held at you. Unless the State Governments are made very strong and self-respecting, the Centre can never be a stronger one. We have got our problems. The border States have got more problems, for example Punjab, a border State. Rajasthan also has problems, also a border State; also Gujarat. Like that, we also have difficulties because we have got a lengthy shore of 3,600 Kms. These are all vulnerable States and we have got our own responsibilities in keeping the law and order situation under control. When the State Government's fiscal condition is kept good by the Centre with a paternal attitude, then certainly the country will advance.

Madam, the link with the Reserve Bank of India is now being cut-off by way of this Bill. The Reserve Bank of India will no longer be in a position to lend any money to the Central Government, the way it used to, with the passage of this Bill. It is a welcome one. At the same time, I see a small snag in the Bill. The Reserve Bank of India can buy the securities from the Central Government. Madam, anybody can now easily make out. The Centre can say, "Here are our securities available, you the Reserve Bank of India, please buy these." By this route also the money can be brought in. What is now sought to be achieved--delinking is not the real delinking at all. This is what we visualize from a reading of the Bill.

I would like to submit that if you really want to delink, keep the Reserve Bank of India away from buying the securities also so that the real purpose of the Bill could be achieved. If you can enable the Reserve Bank of India to buy your securities and sell them in a different manner, then there would be a compulsion on the part of the Reserve Bank of India to fund the Central Government. This is one way of achieving what could be not directly done. This is one snag which I could see in the Bill.

As far as the rest of the things are concerned, we welcome the Bill. As I mentioned earlier, Tamil Nadu Government has already passed a Bill of similar nature and the Finance Minister was good enough to help all States. I would like to make an appeal to him because we are having a lot of difficulties. Already there is a long pending demand on his table to give us a one-time measure of help. Please help us first before you could act on this Bill. A Financial Consolidated Fund is being sought to be created by the State Government of Tamil Nadu to tide over the difficulties that have been created because of earlier measures; because, we had a Government earlier which had never bothered for any fiscal management. That is the real reason.... *(Interruptions)...*

SHRI C.P. THIRUNAVUKKARASU (Pondicherry): No, Madam, no.

SHRI N. JOTHI: Madam, the man saying it is not from Tamil Nadu, but is from Pondicherry.

THE DEPUTY CHAIRMAN: Now, I have to stop it because I have to finish the Bill. *...(Interruptions)...*

SHRI N. JOTHI: Madam, he is from Pondicherry. ...(I*nterruptions)...* How is he concerned about Tamil Nadu? *...(Interruptions)...*

THE DEPUTY CHAIRMAN: Wherever he is from *...(Interruptions)...*

SHRI N. JOTHI: I am concluding, Madam.

THE DEPUTY CHAIRMAN: I am calling another speaker. *...(Interruptions)...*

SHRI N. JOTHI: I am concluding, Madam. ...*(Interruptions)*... If you do not mind, I will..*(Interruptions)*... For future usage, they purchased a three years stock of tyres. Who will buy three years stock in advance. They purchased a stock of tyres for three years in advance. It was done by the earlier Government in Tamil Nadu. You know the reason why it was done. ...*(Interruptions)*... We will never do that. ...*(Interruptions)*... We are not like them. ...*(Interruptions)*... Who will buy tyres in advance? Was there any scarcity? The money was blocked for three years in advance. What was the purpose? It is a well-known fact. Bulk purchases were made three years in advance. ...*(Interruptions)*... And for these advance stocks, they got money from the NLC. ...*(Interruptions)*...

THE DEPUTY CHAIRMAN: You confine your speech to the Central Government. ...*(Interruptions)*... The State Government can be discussed in the State Legislature. ...*(Interruptions)*...

SHRI N. JOTHI: The Central Government cannot be without the State Governments. ...*(Interruptions)*... The State Governments contribute to the Central Government. ...*(Interruptions)*... Madam, lastly, I would like to submit that in the area of fiscal management we are doing very well. We are happy to have had this enactment. Kindly pay attention to all such States which manage themselves very well. Give them incentive bonus. We will be the first State to get that bonus. Thank you.

THE DEPUTY CHAIRMAN: Mr. vlrumbi, you too have seven minutes. ...*(Interruptions)*... Please do not discuss about the tyre purchase. That is all. ...*(Interruptions)*... You please confine yourself to the Finance Minister's Bill. ...*(Interruptions)*...

SHRI S. VIDUTHALAI VIRUMBI (Tamil Nadu): Madam, I understand your problem. ...*(Interruptions)*... Madam Deputy Chairperson, this is a very important Bill placed before us for a thorough discussion in this august House. Madam, the situation is grave. Everybody knows that in the Eighth Plan Period, our development was 6.7 per cent. It has come down to 6.7 per cent in the Ninth Plan Period to an average of 5.5 per cent. Last year, it came down to 4.4 per cent. This is the situation which we are dealing with. However, our foreign exchange reserves are now $83 billion. In 1991, when I was here, we had been struggling with only $1 billion foreign exchange reserves. At that time, we had only $1 billion. Apart from the

current account surpluses, the foreign capital inflow, valuation changes, the changes in the exchange rate and weakening of dollar against other major currencies, $3.8 billion have been added further to our foreign exchange reserves. This is a very comfortable position. We may even reach $100 billion shortly. Madam, our external debt is $105 billion dollars. When it is so, the country is reeling under this burden. Our country is an agro-based economy. Last year, the agricultural production had come down by 14 per cent. Therefore, when it is an agro-based economy, the agriculturist is affected; and, it means that the whole economy throughout India is affected. It is very important. Madam, the fiscal deficit between 1992 and 2002 was between 4.7 and 5.7 per cent or something like that. If you go through the revenue deficit, what the Budget reflects is different, the actual or provisional estimate is different and the actual expenditure is different. This is because of so many factors such as natural calamities because our country is equal to a sub-continent. These unexpected expenditures are there. Therefore, it goes on like that. Madam, the current debt is Rs.80,00,000 crores. We will have to pay Rs. 1,23,000 crores as interest alone on that. The interest burden is 28 per cent of the total Government expenditure. The subsidy is 11 per cent. I am not against subsidy. What I want to say is that subsidy is nothing, but it is only transfer of income from one section of the society to another. The subsidy should reach the persons who deserve it. The Government should ensure that. Look at the subsidy that has been given by other developed countries of the world. For example, the developed countries, which are making hue and cry against the countries that are giving subsidies, themselves are giving subsidies to the agriculture sector to the tune of US $ 318 billion. Out of that, US $ 211 billion have been given directly. On the one hand they are giving subsidy to agriculture to the tune US $ 318 billion and on the other they are advising us not to give any subsidy. Madam, subsidy is a safety net for the people of the developing countries who are actually working from dawn to dusk. Therefore, it is essential. Under the guise of prudence, the subsidy should not be withdrawn by anybody. Without giving any subsidy, how can the income be increased? We have to see that. We have to concentrate on that because the revenue growth rate has come down from 16.8 per cent in eighties to 14.3 per cent in nineties.

Madam, coming to the tax-GDP ratio -- when I say this, I do not, actually, recommend to increase taxes -- I would only say that the Government should concentrate on collecting more and more taxes. For

example, the Government should concentrate on those areas from where it can get more revenue. I myself, about two years ago, gave a suggestion to the Government when the Government was imposing duty on cigarettes. Madam, the Government is imposing duty on the basis of the length of cigarettes. The Government is not considering about the quantity of tobacco being used in cigarettes. Even if you take the quality of tobacco into consideration, the Government will get Rs. 1,500 crores more. But, I do not know who is preventing them from levying duty on these lines. This is one example I am giving as to how we can increase our tax-GDP ratio.

Then, Madam, the market borrowing is another problem. We have planned Zero-deficit Budget in 2008. By 2006-07, the Government is expecting market borrowings to the tune of Rs. 1,30,000 crores. With market borrowings in 2006-07 close to Rs. 1,30,000 crores, how is the Government going to achieve the zero-deficit Budget by 2008? I think it is not possible. Therefore, it is very difficult. We are expecting 8 per cent GDP growth. So, to achieve this, the domestic savings should be between 28 and 32 per cent. Against this, the domestic savings prevailing, now, is only 24 per cent. With the financial sector going to be privatised, I humbly request the hon. Minister, through you, Madam, that whatever amount people wish to deposit in financial institutions or banks should be backed by some sort of deposit insurance and that deposit insurance should have the Government's backing, because I do not have faith in private insurance. For example, in the USA, about three years ago, the private insurance companies declared themselves bankrupt. And, thereby, the insurance companies had taken away public money to the tune of US $ 464 billion. Therefore, we cannot rely upon the private insurance companies. So, this is another problem.

In the light of this, now, I want to come to another very important issue. Madam, the fiscal consolidation and sustainable growth cannot be attained only by making adjustments here and there in the Central finances. We have to go through the State finances as well. First, I come to agriculture. Madam, please bear with me for a minute more. In India, an amount of Rs. 45,000 crores has been given by way of crop loans. Out of that, 45 per cent has been given by the commercial banks and the Regional Rural Banks and the remaining 55 per cent has been provided by the cooperative banks. Now, we have earmarked that interest on loan up to Rs. 50,000 would be 9 per cent. If it is more than Rs. 50,000, then the rate

of interest is PLR plus 2 per cent. This is what the hon. Minister has said. So, I would like to ask the hon. Minister a point. How will the NABARD directly provide refinance to the district central co-operative banks, sidelining the State co-operative banks? That is the idea. The RBI is going to issue orders on the advice of the Central Government. If it is so, what is the position of the district co-operative banks? And, another order is going to be issued by the RBI. On the basis of the advice given to the Central Bank, the State Government should not give any guarantee to the co-operative banks. When they are not able to given any guarantee to the co-operative banks, how will the NABARD come forward to help or give loan or decide to lend its money to the co-operative banks when there is no guarantee from the State Governments? I feel it is a contradictory one. Now, out of 40 per cent that they have provided for the priority sector, 80 per cent should go to the agriculture sector. But nobody is complying with that because there is a provision. The provision is, if any Scheduled Bank is not fulfilling the commitments to the priority sectors, then, the difference between the amount that they have actually paid and the amount, which they ought to have paid, should be deposited with the NABARD. The officers in the Scheduled Banks, instead of giving it to agriculturists, they are depositing the difference with the NABARD. This is what is happening. As a result, agriculturists, from Kashmir to Kanyakumari, are suffering. When they calculate the cost -- the cost of wheat or rice - they add 3 or 4 per cent towards interest. When the cost is calculated, the approach of the Central Government is different, while the approach of the industry is different. Therefore, there are different approaches. So, it becomes very difficult for us. So, it should be clarified. So far as the general line of credit is concerned - the people, who know the working of the Reserve of India, would understand it - the Reserve Bank of India has so far permitted the NABARD to lend money to other institutions only to the tune of Rs. 6,500 crores. If that limit is not enhanced and if the guarantees given by the State Governments also stop, then, I think, the cooperative banks will suffer. Thus, the agriculturists will not get loans. As a result, the production of agriculture will also come down and the entire economy will come to a grinding halt. So, this is the situation. If it is so, then, how are we going to overcome that? I would take up the issues one by one. But I would not take much time. Only in one line each I would explain them.

Madam, my next point is, there is a problem in the States. The State Finance Corporations are fighting with the banks with regard to

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interest payment and the maturity period. The hon. Finance Minister has to look into that. I don't want to go into the details of the problem because of the time constraint.

My next point is, there is a problem between the Electricity Boards and the independent power producers. The problem is how we are going to enhance our revenue? Shri V.P. Singh had actually advised the setting up of a National Court of Taxes, the jurists' concept. The Law Commission had recommended the setting up of a Central Tax Court. Now, the Chelliah Committee has recommended a National Revenue Tribunal with two wings, one for direct taxes, another for excise and customs. Unless and until, you act and take some decision on this, it would be difficult for you to add the revenue, I suppose, because you have already given some stipulations as to how the State Governments have to maintain their economy. You have stipulated that 2.5 per cent of the GDP should be the fiscal deficit, and the revenue deficit should come down to zero by 2004-05; interest payments, as a percentage of revenue, should be only between 18-20 per cent. These are the stipulations that you have already put before the State economies. How are you going to adhere to these things? This is the problem that we are confronted with. Therefore, the problem is not so easy as we imagine, until and unless there is a rationalization of the tax structure and a better cash management. Madam, so far as the Ninth Five-Year Plan was concerned, the Deputy Chairman of the Planning Commission had clearly said in August, 2000 that the mobilization of resources in Tamil Nadu was proper. Then, Madam, 6.21 per cent development has taken place, that is, one year before the Budget in Tamil Nadu was presented; the Ninth Five-Year Plan development is 6.21 per cent. Then, thirdly, as to how the development amount has been distributed, the Central Statistical Organization has mentioned that from 35 per cent, the population below the poverty line has come down in Tamil Nadu to 21 per cent. Therefore, Planning Commission has accepted that the mobilization of resources has been proper; development has been proper as per the Budget itself. They have accepted the development figure of 6.2 per cent in regard to our State of Tamil Nadu. Even the all-India average of 5.5 per cent is below it, whereas Tamil Nadu had achieved the rate of 6.21 per cent during the Ninth Five-Year Plan. I want to come to the upper strata. I want to tell how it is being disbursed in a judicious manner. That is, from 35 per cent of the people living Below the Poverty Line if 21 per cent is taken away, it means

that 14 per cent people, who were Below the Poverty Line have come up as the Middle Class people. It means, firstly, the mobilization is proper. Secondly, development is proper. Thirdly, distribution is proper. Therefore, the Government headed by Dr. Kalaignar was a model Government for the other State Governments. ...*(Interruptions)...* I did not interrupt you when you were speaking. ...*(Interruptions)...Then,* I want to tell you this thing. ...*(Interruptions)...* I want to come to this point. ...*(Interruptions)...* How can the revenue be increased? ... *(Interruptions)...* I tell you. ...*(Interruptions).. I* quote, "Madam, last week, a young lady was arrested in Tamil Nadu with cash. What is reported to have been said is that she was having more than Rs. 1.40 crores. ... *(Interruptions)...*

SHRI P.G. NARAYANAN: Madam, how is it relevant? ...*(Interruptions)...*

THE DEPUTY CHAIRMAN: Let him speak. ...*(Interruptions)...Let* us not .....*(Interruptions)...*

SHRI S. VIDUTHALAI VIRUMBI: Madam, ask them to sit down. ...*(Interruptions)...*

THE DEPUTY CHAIRMAN: If you remember, tomorrow or day-after-tomorrow, you have to combine with him in a discussion. ...*(Interruptions)...* So, please sit down. ... *(Interruptions)...* Please sit down. ... *(Interruptions)...* Please sit down. ...*(Interruptions)...*

SHRI S. VIDUTHALAI VIRUMBI: Madam, I want to quote this statement. ... *(Interruptions)...* "It has been reported in the newspapers that the police has seized Rs. 1.40 crores from the houses of Ms. Zerina, who was arrested for possession of Narcotics. ...*(Interruptions)...*

As a huge sum of money had been seized, is it not the duty of the Income Tax Department to investigate the source of that money? ...*(Interruptions)...* The public are interested to know what action the Central Government has initiated to find out from where such a huge sum of money had come." ...*(Interruptions)...* Madam, this is the statement issued by Dr. Kalaignar ...*(Interruptions)...* from the DMK Headquarters. ...*(Interruptions)...The* hon. Finance Minister, Sir ....*(Interruptions)...* cognizance of the court is not there. ...*(Interruptions)...Therefore,* it is not a *sub judice* matter. ... *(Interruptions)...* I tell you ..... *(Interruptions)...]* quote, "It has been

reported in the newspapers that the police had seized Rs. 1.40 crores from the houses of Ms. Zerina, who was arrested for possession of Narcotics. *...(Interruptions)...*

THE DEPUTY CHAIRMAN: Mr. VIrumbi, please sit down. *...(Interruptions)...*

SHRI S. VIDUTHALAJ VIRUMBI: As a huge sum of money had been seized, is it not the duty of the Income Tax Department to investigate the source of that money? *... (Interruptbns)...the* public are interested to know what action the Central Government has initiated to find out from where such a huge sum of money had come." *...(Interruptions)...*

THE DEPUTY CHAIRMAN; Mr. vlrumbi, please sit down. *...(Interruptions)...*

SHRI S. VIDUTHALAI VIRUMBI: This is a statement by Dr. Kalaignar, issued from the DMK Headquarters. *...(Interruptions)...* I request the hon. Finance Minister to please give instructions for necessary action to find out the truth. *...(Interruptions)...Why* has your Department not taken any action on this? *...(Interruptions)...*

THE DEPUTY CHAIRMAN: Please, now take your seat. *...(Interruptions)...* Please take your seat. *...(Interruptbns)...No;* No. *...(Interruptions)...* It is over. *...(Interruptions)...No,* it is over. *...(Interruptions)...* Now, I have to call the other Member. *...(Interruptions)...* Shri Manoj Bhattacharya. *...(Interruptions)...*

DR. V. MAITREYAN (Tamil Nadu) : Madam, this issue has to be sorted out. We want a ruling from you. *...(Interruptions)...*

THE DEPUTY CHAIRMAN: What ruling? *...(Interruptions)...One* person can speak and ask for my ruling, not all of you. *...(Interruptions)...Let* the Leader of your Party speak. *...(Interruptions)...*

SHRI P.G. NARAYANAN: Madam, how is it relevant? *...(Interruptions)...*

THE DEPUTY CHAIRMAN: Please wait a minute. *...(Interruptions)...* I will look into the record. If there is anything which is against anybody, or, which is not substantiated, I will, definitely, look into it. *...(Interruptions)...* And if it is..... *(Interruptions)..Mr.* Virumbi, please sit down. ... *(Interruptions).* ..Let me look at the record. ... *(Interruptions)...* I could not hear when all of you were standing and speaking. *...(Interruptions)...*So, let me see what it is. *...(Interruptions)...* If it has something to do with the Central Government, definitely, I cannot remove it because it is connected with fiscal management of the finances. If somebody is found with black money, the Central Government has to look into it. So, if it is not that, then, I will look into it. *...(Interruptions)...* Please sit down. *...(Interruptions)...* No more explanations. *...(Interruptions)...Let* me look at the record first. *...(Interruptions)...* I could not hear...*(Interruptbns)...*

SHRI N. JOTHI: Madam, he is speaking about a young lady... *(Interruptions)...*

THE DEPUTY CHAIRMAN: It is an extremely good debate. *...(Interruptions)... All* right, please, please, ... *(Interruptions)...* It is an extremely good debate, which was started on a good note, it continued on a good note and in a proper manner. And I think the Finance Minister should have enough time to reply and give a policy which the Government wants. So, please be in that spirit. And he has to go from here. At 3.30 sharp, I am going to ask him to reply. Now, I have three speakers. I have to divide your time.

SHRI C.P. THIRUNAVUKKARASU: Madam...

THE DEPUTY CHAIRMAN: No, it is not you...*{Interruptbns)...* I haven't called your name.

SHRI C.P. THIRUNAVUKKARASU: Madam, a certificate has been issued by the AIADMK...*(Interruptions)... '* a young lady'. It may kindly be noted.

THE DEPUTY CHAIRMAN: No young lady or old lady. I am not talking about it. I do not know the age of that lady. Mr. Manoj Bhattacharya, Mr. Javare Gowda, and Mr. Raghavan, all of you have to

finish in time and be kind to each other. Divide half-an-hour amongst three of you.

SHRI MANOJ BHATTACHARYA (West Bengal): Okay, Madam, I will try to do.

Madam, at the very outset, I must accept that The Fiscal Responsibility and Budget Management Bill, 2003 Bill is a very, very important Bill and, perhaps, it has got the widest possible ramifications on the entire nation,as a whole. We cannot, simply, give passage to this Bill without a serious discussion on this because this raises several questions. Madam, I am sorry that I cannot be that sympathetic to my very reverred friend, the hon. Finance Minister, because, to my mind, it appears that these sort of Bills are being forced down the throat of different nations, particularly, the developing nations, the nations of the Latin American countries and also the African countries, the countries which are in debt trap virtually because of the loan pushing by the International Monetary Fund and the World Bank, starting from the late 70's till this date. I am sure that the House, the hon. friends of mine in this House, will agree with me that it was the reckless borrowing from different sources -- international sources-and also wrongful fiscal management of this country that has landed this country into a very, very complicated situation. I would have been very happy had this Bill been intended only for prudent fiscal management or prudent revenue management, but, incidentally, an apprehension hovers around my mind that, perhaps, we shall be losing our sight for the development of the nation of this country of ours. Because, Madam, when I ' am commenting on these sort of Bills, I am conscious that I belong to a nation. I have been born in a country, I have been groomed up in a country where millions and millions of people are languishing in abject poverty; where, according to the Government estimates, nothing less than 34 crores of people live Below Poverty Line; where, according to the Conservative estimates, nothing less than 10-12 crores of young men and women are unemployed; where according to the Government itself, according to the Government-appointed Committee, the corruption is looming large. In fact, some of my hon. Members have pointed out and it should not be out of place to mention that even in August, 1995, when the N. Vohra Committee submitted its report, it had commented -- I will just quote a portion of that -- " All over the country, crime syndicates have become a law unto themselves. Even in smaller towns and rural areas, musclemen have

become the order of the day. Hired assassins have become a part of these organisations. The nexus between the criminal gangs, police, bureaucracy and politicians has come out clearly in various parts of the country.

These syndicates have acquired substantial financial and muscle power and social respectability and have successfully corrupted the Government machinery at all levels and yielded enough influence to make the task of investigating agencies extremely difficult; even the members of the judicial system have not escaped the clutches of mafia." The situation has not been corrected. There has been no well-directed action against this sort of developments that has taken place in this country. And, unfortunately, in this country, there may be some good laws, good Acts which have been enacted. The Parliament might have enacted some good laws; good Bills have been enacted; Acts are there but actions are not there because the Government lacks the political will to act, the political will to combat, control corruption, political will to recover the NPAs (Non-performing Assets) amounting to nothing less than one Rs. 1,35,000 crores. What was the difficulty? This sort of a Bill should not have been in place. If we have an intention, the Securitisation Act is already there. But what is the action that has been taken to recover those amounts? Have you short-listed as to which are those companies, which are those corporate houses which are holding these NPAs, which are to the tune of Rs. 1,35,000 crores. A whopping amount of Rs. 1,35,000 crores as NPAs are there. Had it been with us, there would not have been any difficulty in effecting the economic development. But, unfortunately, these sorts of Bills are being enacted, these sorts of Bills are being discussed. I am afraid that after enacting these sorts of Bills, there may be a moratorium on the development, particularly, with regard to the development in the social sector, development in generating employment, all round development in the States. Madam, I must say that this Bill, perhaps, is at the diktat of the World Bank, being doctored to ease the situation conducive for foreign borrowings. ...*(Time-bell)*... In the days to come when the foreign borrowings, ...*(Time-bell)*... Madam, I have not even taken five minutes.

THE DEPUTY CHAIRMAN: No; I am looking at the clock; you are looking at your papers.

SHRI MANOJ BHATTACHARYA: Madam, I am also looking at the clock. I started at five past three.

THE DEPUTY CHAIRMAN: You have total ten minutes.

SHRI MANOJ BHATTACHARYA: I am conscious of this fact. Please allow me. I have not taken even five minutes. I will require another five minutes minimum. Madam, to my knowledge, if I am not incorrect, only Brazil and Mexico could enact these sorts of Fiscal Responsibility and Budget Management Bills. No other nation could enact up till now these sorts of Bills. We have not corrected this situation yet. Sometimes, it appears that perhaps we are trying to put the cart before the horse. Instead of putting the horse before the cart, we are trying to put the cart before the horse. This situation should have been taken care of earlier before enacting these sorts of Bills. We should have taken care of these NPAs, we should have taken care of this black money, which is really running a parallel economy in this country. But no actions are there. Right from the dawn of the Independence of this country, we have been hearing that black marketeers will be hanged in the next lamp-post, but nothing could be done up till now. And, even today nothing is being done. This Government, sometimes it appears, is in collusion with these sorts of people, and the Government is only working to protect the interests of the upwardly mobile middle class. Madam, I am afraid that by this Bill, the common people will be most hurt.

Madam, I would also like to point out some very important features, and that is regarding development in the States. In fact, the persistent imbalance in the Centre-State relations has arisen out of the basic fact that while in the constitutional allocation of responsibilities in the sphere of development and administration, it lies with the States and within the States with the Panchayats and the Municipalities and the more important powers of revenue raising are primarily concentrated in the hands of the Centre. ...*(Time-bell)*... But in spite of this greater burden of responsibility of developmental expenditure of the States, the concentration of revenue raising powers is in the hands of the Centre -- where the Centre is failing perpetually -- there has been no matching transfer of resources from the Centre to the States, in terms of share of Central taxes and grants-in-aid. ...*(Time-bell)*...

Madam, unless these situations are corrected, we shall not be able to continue with the minimum developmental programmes as such for 6ver some three-four years, in particular, or, for some twelve years, in general.

After the promulgation of the LPG, i.e., liberalization, privatization and globalisation, what is called neoliberalism, the social sectors are being neglected, over neglected and the unemployment is growing. And, unless the Government spends in these areas, even if there are some fiscal deficits - I am once again repeating, Madam, that I am for the fiscal prudence, I am for discipline in the fiscal policy, but not at the cost of the development, not at the cost of the people's lives and the present financial crises is a result of the long prevailing imbalance -- this cannot be done. I have told you that it is a long prevailing imbalance. Madam, I would like to quote from a booklet of Dr. Asim K. Dasgupta, the hon. Finance Minister of the Government of West Bengal whom our hon. Finance Minister always refers to as a good friend of his. He says, and I quote, "The burden of annual developmental expenditure that was borne by the States taken together (Rs. 2.11 lakh crore) was about one-and-a-half times higher than what was borne by the Centre (Rs. 1.39 lakh crore). *...(Time-bell)...* At the same time, of the total revenue collected in the country in the year 2000-01 (Rs. 3.06 lakh crore), as mentioned in the same publication of the Reserve Bank of India, ..."

THE DEPUTY CHAIRMAN: Shri Manoj Bhattacharya, please conclude. I am calling the next speaker.

SHRI MANOJ BHATTACHARYA: Madam, unless these things are corrected at the earliest, unless the priorities are set and we start moving in the right direction according to the priorities being set by the Parliament, or, according to the priorities set by the Executives, we shall not be able to do justice by merely passing these sorts of Bills. With these words Madam, I shall conclude, since there is not much time at my disposal. You are not allowing me longer to speak. I have to conclude, because I cannot disobey you.

THE DEPUTY CHAIRMAN : Please, don't disobey me.

SHRI MANOJ BHATTACHARYA : Unfortunately, I cannot disobey you, Madam, but, I once again, prevail upon the ....

THE DEPUTY CHAIRMAN : Now you are disobeying me.

SHRI MANOJ BHATTACHARYA : I am not disobeying you, Madam. I am just concluding. Once again, through you, I shall try to impress upon the hon. Finance Minister, for whom personally I have got very high regards,

that he should think twice before putting forth this Bill, even though the Standing Committee has diluted the Bill.

SHRI JIBON ROY (West Bengal) : That is not in his hands.

SHRI MANOJ BHATTACHARYA : Yes, I know, I should not have said that, but whom else can I approach?

THE DEPUTY CHAIRMAN : Shri Javare Gowda.

SHRI MANOJ BHATTACHARYA : But this Bill should be put after correcting. the situation in so far as the employment problem is concerned ....

THE DEPUTY CHAIRMAN : Please, conclude.

SHRI MANOJ BHATTACHARYA : ..... in so far as recovery of the NPAs is concerned, in so far as taking care of the black market is concerned. Thereafter, this fiscal management and discipline comes. Otherwise, it cannot succeed. Thank you, Madam.

THE DEPUTY CHAIRMAN : Shri Javare Gowda, just ten minutes.

SHRI H. K. JAVARE GOWDA (Karnataka) : Thank you, Madam Deputy Chairperson; I shall conclude my speech before that. I stand to welcome the Fiscal Responsibility and Budget Management Bill, 2003, which seeks to provide for responsibility of the Central Government, to ensure generational equity in fiscal management, to have a surplus budget, to remove the impediments in the effective conduct of monetary policy, and to impose a limit on the Central Government borrowings, debts and deficits. The earlier speakers have spoken on all the issues. But as far as the Plan and Non-Plan expenditure is concerned, this country is not taking up the" planned work because of the lack of funds. We are not able to collect the revenue receipts, as estimated in the Budget. But, because of the policy of the Government and the smart decision taken by the concerned ministries, the works are not completed in time. According to the Budget Estimate, 2002-2003, the Central Government has a liability of nearly sixteen lakh to eighteen lakh crores of rupees. Also, more than one lakh crores of rupees is being paid as interest every year. Also, part of the money is being paid as

salary. But there remains nothing for the progress of the country. Under these circumstances, I have a doubt. Even though the hon. Finance Minister has brought in this Bill for the regularization of the fiscal policy and also, to keep the economic health of the country, if this enactment is going to reduce the subsidy on the agriculture sector, then it will have a bad impact on the entire economy of the farmers. I have this apprehension. Hence, I specially request the hon. Prime Minister that whatever may be the cost --because agriculture provides employment to nearly 68-70 per cent of the entire masses of the country -- under the guise of fiscal management, subsidy for inputs to the farmers should not be cut down.

With these words, I welcome this Bill and conclude my speech. Thank you, Madam.

SHRI V. V. RAGHAVAN (Kerala) : Thank you, Madam. I do appreciate the concern of the hon. Finance Minister to set right the precarious fiscal situation. The revenue and fiscal deficits of the State and the Union Government have reached an alarming stage. The debt burden is above the danger mark. On several occasions, the Reserve Bank of India had warned the Government. Now, the World Bank, with sufficient data, has pointed out the impact of these deficits. Madam, a debt burden of Rupees eighteen lakh crores is certainly beyond what this country could bear. About half of the revenue income is spent on interests alone. I am afraid the remedies proposed in this Bill will not save us from the deep waters. Piecemeal remedies will not work. It is high time the Planning Commission and the Union Cabinet reviewed the entire economic policy in this background. When we opened our economy to monopoly capital -- both Indian and foreign -- and when we shifted to the market economy from planned economy, the system was corrupted from top to bottom. Tax evasion and tax arrears piled up when unaccounted money played havoc in our economy. How does our Stock Exchange function? The ill-gotten money is pumped into the stock market just to cheat common people. From the days of globalization, so many scams were detected and it goes on repeatedly. Even our financial institutions are being exploited by manipulators. Agriculture is the backbone of our economy. After the agreement on agriculture in WTO, our agriculture sector is in crisis. Heavily subsidized products of the developed countries dominate our own market and the external market. Hence, market accesses to our products are very rare. In this connection, I must draw the attention of the hon. Finance

Minister that in the ensuing WTO Ministerial Conference at Cancun, Mexico, the main focus will be on market access and investment, especially in the agrarian sector. Why don't we send our Agriculture Minister to this Ministerial Conference? I have respect for Mr. Shourie. But he is not a man of investment; he is a man of disinvestments. So, at least, when agriculture is going to be discussed, our Agriculture Minister should be present there along with Mr. Shourie. Unless we unleash the vast potential of our agriculture sector -- the productive forces -- how can we strengthen our economy? That is the main thing we are facing now. We have ignored the agriculture sector. The agrarian reforms are still lacking. For the capital development, even in a capitalist economy, agrarian reform is a must. In India now, even these days, our villages are dominated by *kulaks,* the landlords, with their own armies and with the backing of the local police force also. So, about 25 crores of agricultural workers, about 70 per cent of our poor peasant, are still in a very bad shape. So, please uplift the villages. Please, pay some attention to the agriculture sector. Investment in the agriculture sector is still lacking; it is going back year by year. Unless we invest more in the agriculture sector, how can we revive our economy? Unless we find market for their products, how can they revive? Even in the internal market after you have lifted every obstacle including Quantitative Restrictions, our market is dominated by developed countries and multinational corporations. So, to strengthen our economy and to enhance the purchasing power of poor village people, some drastic steps have to be taken in the agrarian sector. The Cancun Ministerial Conference is a very important conference. Therefore, we should enlist the support from many developing countries. Our hon. Prime Minister, when he visited China, the People's Republic of China offered a joint effort to mobilise the opinion of the developing countries to safeguard the vital interest of these countries from the WTO. So, I appeal to the hon. Finance Minister that with these piecemeal measures, we cannot tide over the difficult situation. Some very basic economic measures have to be taken. Please consider these vital things. Thank you.

THE DEPUTY CHAIRMAN: Thank you for keeping my word. You finished in time so that the Minister could reply. Mr. Minister.

THE MINISTER OF FINANCE (SHRI JASWANT SINGH): Thank you, Madam, I am very grateful to all the hon. Members who have participated in this discussion and I am very heartened and glad that this legislation, now on the final stages of approval and on the edge of being enacted, has met

with very broad approval from almost every section of the House. I am sorry that some hon. Members, who have participated in the discussion, are currently not present here. I am very glad that my hon. friend, Mr. Virumbi, is here. I enjoyed very much the final portions of his intervention, Madam, the only advice that I can tender is that it is always very dangerous to get involved in the affairs of young ladies.

SHRI N. JOTHI: That too at this age. *...(Interruptions)...*

MISS MABEL REBELLO (Madhya Pradesh) : Sir, do you also have some experience? *...(Interruptions)...*

SHRI JASWANT SINGH: I have obviously been disqualified with my grey hair. Madam, we have greatly benefited from a number of very substantial points that have been raised. I can obviously not answer each of them, but I will endeavour to address what I believe are the significant issues haunting several hon. Members, which I must attempt. I think, Shri Murli Deora, along with various other issues, that he raised about foreign exchange rates, interest rates, the state of financial institutions, got the essence of what fiscal responsibility in Budgetary Management Bill is. He asked one of his colleagues to inform him what the correct phrase would be. The phrase simply is, "^ trra u-wftij, 3% Ht^ ^5" I which, in financial terms, is what it is all about. You must only spread your affairs to the extent that you can afford. Now, telling him more, that is the essence of what we are trying to do here and I am very glad that hon. Members have broadly supported it. I find that there is one particular aspect, that is, merited expression of concern by every section of the House, along with some others, that I referred to it first because it is an issue that is, I believe, somewhat overlooked, and I believe, it is meriting the attention of the Council of States, which we are as Rajya Sabha, and that is the state of finances of the States of the Union and we have discussed it in some Committees earlier and I would strongly recommend to the hon. Members that we, in the Finance Ministry, recently prepared an exhaustive note on the finances of the States of the Union. Some hon. Members have desired to have it and took the trouble to write to me. I will share that information with them. As Council of States, we should address ourselves collectively, as a House, to the totality of the situation that is present today in the matter of State finances. I do not wish to sound an alarmist but I do wish to sound a note of very serious caution in this regard because it is

accompanied by certain degree of absence of seriousness. Though, I am glad to say that now there is considerable awakening as the States have moved towards -- I do not wish to name any one particular State-enhanced subscription to medium term fiscal reforms and a number of States" have voluntary accepted restraints on expenditure, yet the situation merits our attention.

Madam, I do not wish to go into just the aspects of the guarantees issued by the State Governments; which State have issued how many guarantees; how do we resolve it. So many specific questions were asked about loans being granted to certain State Undertakings by PSUs of the Union. These are all detailed matters and all that can be attended to provided we take that up.

Hon. Pranab Mukherjee always brings a great deal of value in his interventions and brings up a great length of experience in diverse fields of public life, particularly, in the fields of management of the country, finances, economic management and all that. He was good enough to suggest that the step of this legislation is a welcome step, yet it is a hesitant step. I tend to agree with Pranab Babu. It is hesitant because my hands are tied. The Bill that was submitted for consideration of the Standing Committee was a very different Bill. It is the Standing Committee, which in its wisdom, after due deliberations, has very considerably diluted so many of the provisions of what we had recommended, and, I am, after all, as Pranab Babu would recognise, a servant of Parliament. I cannot override Parliament. And, if in its wisdom, the Standing Committee has given a unanimous recommendation that that be done, which is what I have come forward to the House for. But I do admit that it is hesitant. I really wish with experience we move forward and as we move forward, we will correct some of these aspects of what Pranab Babu has called hesitant so that it becomes an important instrument of fiscal management.

He had also referred to the State finances. I have covered that. It really merits a totally different discussion, altogether different discussion which, I believe, the Council of States can perform better than any other organization, which we should undertake. I will here, Madam, refer to some of the other issues. Before I refer to other issues that you have raised, I come to a specific issue. You had raised a specific question about the liabilities of the Central Government and you had referred to the liabilities of

the year 2000-01 which in that year were 11.68 lakh crores, just under Rs. 12 lakh crores, and, for the year 2003-04, as reported by me when I made my opening statement, are just under Rs. 18 lakh crores or Rs. 17.79 lakh crores. Your figures are correct, Pranab Babu. But what I had submitted is also correct because this rise is due to the rise in the internal debt from roughly Rs. 8 lakh crores in 2001-02 to Rs. 11.6 lakh crores or Rs. 12 lakh crores in 2003-04. We need to take note of this very seriously.

I am very glad that my hon. friend Mr. Murli Deora joins me now. I did refer to your very wise intervention and I did say that the essence of this Bill which we are now on the edge of enacting is really "ffa **m UHiRy,* sftft *frift* tffr" Spend only that much as you have the wherewithal to spend. Sir, I will refer briefly to some of the other issues that you have said. You are right, Sir, we could not meet the revenue targets in the last year and we have not been able to meet the revenue targets for various reasons. Last year was, I think, exceptionally a difficult year. I do not want to repeat all the difficulties that we attended last year. But, no doubt, the hon. Members will recognise that in terms of coming together of adverse factors, the worst possible drought in 30 years, Gulf War, a great uncertainty in hydro-carbon prices, a stand off with our western neighbour lasting over a particular time, deployment of armed forces, terrorism, a global decline in the entire economy and also a global decline and softening of the markets. Now, despite all these combinations, the. hon. Members would recognise, we overcame the Gulf War, we managed the hydro-carbon rise of price, without too much difficulties, and I am very heartened that the inflation rate was managed within moderate limits and continues to be between 4.5% and 5.5% and is currently at 4.6%. I do believe that the long-term trend is satisfactory. I do not want to keep on repeating all this in a self-adulatory manner, but we need really to recognise that some of the objectives that we had set for ourselves in the Government, we did achieve in the past. I am barely one year old in this job. For example, I am very satisfied, and with a sense of great satisfaction, I refer to it, because of what Mr. Murli Deora said about financial institutions. I commend to Mr. Deora, what the Unit Trust is today and what the Unit Trust was just nine months back. It is the principal premier mutual fund today in the country and Unit-64 is, today, commanding, once again, a premium on the market. It does show our resilience. It is not the resilience of any one individual, it shows the resilience that is inbred and inherent in the Indian economy and that is what we have to recognise. I am glad that I have my friend and colleague both

here in the Parliament, the Cabinet and the Commerce Minister here. It is necessary to take note that we today have a situation in which, despite a rise in rupee, we have 19 per cent growth in exports, which even the World Bank today is recognising, the WTO is recognising, which along with China is the highest in the world. Our growth of exports to China has grown--correct me if my figures are wrong -- by 106 or 116 per cent. This is our export to China. China's export to India has not grown by the same percentage. These are not mean achievements and these are achievements of great significance. They are aspects of the totality of the management of the Indian economy and, believe me, my hon. friend, the management of the economy is not possible unless the whole of the nation is not only together but is infused with a sense of confidence and that is the function of the Government. I do believe that even Gods have been kind; we have satisfactory rains. That is why I say that it is necessary that, above all, when we talk of this factor of the economy, we should really transcend the divide of the House. We should recognise the positive in the genius of India. And, we have to speak at least of that. We are not talking of anyone or the other; we are merely talking of the continuity of the growth that we need to have. I won't labour at that further. Yes, we did not achieve the revenue target, but this year I have placed the revenue target at a much lower level. I had also said during the Budget that I have an expectation of revenue growth of only between 18 and 20 per cent. Last year it was much higher. So, we fell short. God willing, we will achieve it. But despite the adverse factors which existed, we did manage the fiscal at 5.9 per cent, which I had said we would achieve. So, these are not mean achievements.

Now, in case of Government guarantees, which is a very important aspect, particularly in regard to the State Governments, the Central Government, I can assure you, is managing the whole question of guarantees totally afresh now. The FRBM had originally provided that not to have more than .5 per cent of the GDP as the guarantee. That was our original proposal. This was not accepted by the Standing Committee. So, instead of part of the Bill, we will shift this 0.5 per cent as part of the rules that we will still continue to achieve it.

You have mentioned about expenditure management. For the first time ever, we have six Ministries of the Union Government whom we have put on the cash management system. And I am happy to state that we did not dictate which six Ministries were to be. We had invited the Ministries

voluntarily, leaving out certain Ministries which we felt ought to be left out, for example Defence or External Affairs. Six Ministries came forward. All of you know these six Ministries. That is fully operational. Pranabbabu has made a very important point about greater openness of the Budget. I totally agree with him. I tried last year because if you recollect, towards the end of the year we reported on the state of finance. But somewhere we are stuck in our mentalities also. I found that despite my attempt to make the whole budgetary process more and more open, our expectations want us to make the annual Budget a great event; a great media event; a great legislative event accompanied by enormous fanfare; all the media and the visual media, they want to have an orgy of interviews. It is not necessary, not at all necessary. We need to have the management of the economy as a continuous exercise in which not only the Parliament must participate as much as is possible but the country should also participate. Madam, I am happy to state that we are putting out as much of our proposed legislations, ideas, whatever on the website. The day we say anything here it is on the website of the Finance Ministry. For example, Company laws. We put all whatever we were going to do on the website and we invited comments from whoever wanted to comment on what we were doing. We received encouraging response. I have a personal website which is open to advise and I receive a fairly large number of hits on the website. I try and answer all queries within 24 hours. So, we need to have this much more open. Madam, as part of this exercise, I wish to announce that before this Session ends, I will share with the Parliament the quarterly performance of the Indian economy. This would be the first time ever that is to be made. I have already set in motion the exercise of how to do it, but I want to share with you as if I were giving you a report to the country of the quarterly kind of a Budget. I will say how much we have earned. And Pranabbabu knows that this particular quarter is the leanest quarter for revenue. *...(Interruptions)...*This is the traditional way. But I want to share one more thought with Pranab babu. This year it was our commitment given to Parliament that we will repay all refunds. All refunds that were due to the assessees and the citizens should be sent back, to the extent possible, by cheques to their addresses. Assessees would not have to go and stand in queues. And we achieved it, Madam. We achieved it not 100 per cent, but we achieved it almost 100 per cent. And Rs. 12,000 crores' refund was given in this quarter. Rs. 12,000 crores! The aspect of this refund, which is most important, is that this Rs. 12,000 crores of money has gone back into the Indian economy in a productive use; otherwise, it would have continued

to lie in the Consolidated Fund or with the Department. It is much better that it goes back to the citizens or the assessees, and the citizens and the assessees can put it into a productive use. We will give you a fuller report, as full a report as possible, as a quarterly report of the economy, before the current Session ends.

Madam, I want to share with you just two *or* three things. First is the State debt. Hon. Pranabda knows and a number of Members raised this issue. Last year, we had a State debt; we stopped it. Last year, we did 14,000 crores of rupees. This year, our target is to do Rs.38,000 crores of State debt, and by the year 2004-05, we hope to be able to do more than 80,000 crores of rupees, and this will give a lot of benefits to the State indebtedness.

The other thing I want to share with the hon. Members is that it is for the first time ever that we did a debt buy-back of 15,000 crores of rupees in the case of medium banks; we bought back the banks' high cost debt, and I have replaced it with a low-cost debt. And we had a higher target. We did not achieve the target; I am not discouraged by it. We did reach Rs. 15,000 crores, which I am not discouraged by, and in reaching Rs. 15,000 crores, I am happy to say that I will be saving for the Central Government, at least, a minimum of Rs.750 crores in interest. Now, it is only by this process that we can attempt to cure some of our difficulties today.

There were also some questions about the debt pre-payment. As a part of the external debt payment, as the hon. Members know, this Government and we repaid three billion dollars last year. With that repayment of three billion dollars, in fact, not even a ripple was felt either on rupee rate or on our stock exchange or on our foreign exchange reserves. I intend to continue with that process. For the first time ever, India is not a borrower from the IMF; we are a creditor to the IMF,...*(Interruptions)*...

AN HON. MEMBER; It is not a small achievement.

SHRI JASWANT SINGH: ..... and I will continue with the external debt repayment.

There were some queries about bilateral aid. We have given a bilateral aid, not because we are an arrogant nation and we are not grateful to those who stood by us when there was a need, but because we feel that this aid can now be better utilized either through our non Governmental organizations or through other countries, and I am happy to inform the hon. Members that we are about to pre-pay, pay in advance, about Rs.7,500 crores of this bilateral aid. I will pay back Rs.7,000 crores. I intend to pay back, pre-pay back, ahead of time, not, again, because we are not grateful to those who stood by us. but because it is no good carrying these burdens of debt when we can afford to do that.

Madam. I want to, finally, share with the hon. Members that this particular legislation will not result in any lowering of the developmental expenditure. The deficit, as ratio of GDP, will be controlled through income and through revenue increase and expenditure control, but not through developmental control or developmental restraint. I am very grateful for the support that the hon. Members have given and I commend that this Bill now be approved by the House. Thank you.

THE DEPUTY CHAIRMAN: The question is:

> That the Bill to provide for the responsibility of the Central Government to ensure inter-generational equity in fiscal management and long-term macro-economic stability by achieving sufficient revenue surplus and removing fiscal impediments in the effective conduct of monetary policy and prudential debt management consistent with fiscal sustainability through limits on the Central Government borrowings, debt and deficits, greater transparency in fiscal operations of the Central Government and conducting fiscal policy in a medium-term framework and for matters connected therewith or incidental thereto, as passed by Lok Sabha, be taken into consideration.

The motion was adopted.

THE DEPUTY CHAIRMAN: Now, we shall take up clause-by-clause consideration of the Bill. Dr. Subbarami Reddy has given certain

amendments to clauses 2, 3 ,4 and 1. He is not going to move them. Now, I will put all the clauses together to vote.

Clauses 2 to 13 were added to the Bill. Clause 1, the Enacting Formula and the Title were added to the Bill.

SHRI JASWANT SINGH: Madam, I beg to move:

'That the Bill be passed'

The question was put and the motion was adopted.

THE DEPUTY CHAIRMAN: You got it in time.

SHRI JASWANT SINGH: Thank you, Madam.

SHRI PRANAB MUKHERJEE: We have completed it in time.

THE DEPUTY CHAIRMAN: We have completed earlier than that. You wanted me to finish it by 4.15 p.m. So, we have enough time to pass the Marriage Laws (Amendment) Bill, 2003.

THE MARRIAGE LAWS (AMENDMENT) BILL, 2003.

THE MINISTER OF STATE IN THE MINISTRY OF LAW AND JUSTICE (SHRI P.C. THOMAS): Madam Deputy Chairperson,

THE DEPUTY CHAIRMAN: Is it your first piloting of a marriage?

SHRI P.C. THOMAS: Maiden.

THE DEPUTY CHAIRMAN: Maiden piloting of a Marriage Bill. That is very good. Naturally, a maiden has to pilot a marriage. A married person should not.

श्री बालकवि बैरागी (**मध्य प्रदेश**): महोदया, यह मैरिज नहीं है, यह स्पैशल मैरिज है। विशेष विवाह है।